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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

MAY 22 1975

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The Honorable John D. Young
Assistant Secretary, Comptroller
Department of Health, Education
and Welfare

Dear Mr. Young:

This is our report on our survey of systems of accounting and internal control concerned with receipt and disbursement transactions at the headquarters offices and at Region III in Philadelphia, Pennsylvania, of the Office of Education and the Social and Rehabilitation Service, and at the headquarters office and the Baltimore District Office of the Food and Drug Administration.

We reviewed the written procedures and observed the practices used for controlling receipts and disbursements including pre-audits of disbursements and reconciliations of agency accounts with Treasury accounts and made tests of transactions, records, and reports. We did not examine into automatic data processing operations or the payroll and leave system. We have recently started a review of HEW's centralized payroll system.

The procedures used in the administrative examination of disbursement and collection transactions and in the reconciliation of receipts and disbursements with Treasury accounts appeared adequate. However, we observed several practices that did not comply with the principles, standards, and related requirements prescribed by the Comptroller General. These practices were discussed with responsible HEW officials.

INADEQUATE SEGREGATION OF DUTIES

Collections

The principles, standards, and related requirements prescribed by the Comptroller General concerning control over collections require that persons responsible for handling cash receipts should not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of cash receipts (7 GAO 11.2).

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